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19 April 1956

MEMORANDUM FOR: The Record

SUBJECT : CIA Building - Cafeterias and Concessions -  
Legal Aspects

1. [ ] and I visited the Pentagon the morning of 13 April and again on 16 April. We spoke with Colonel Ralph Glatt, who is Executive Secretary of the Defense Concessions Committee, and Mr. Jack Kearney, Office of the General Counsel, Department of Defense. In a separate memorandum, [ ] has discussed in detail the practical information gained from Glatt. This memorandum is concerned primarily with legal matters, as gleaned from the discussions.
2. Kearney's position, summarized, is that Defense has no clear authority for anything it has done with relation to concessions, but that no opposing agency (PBS, GAO) has been able to find anything in the law which prohibits what they have done. He gave the impression that the operation of concessions involves to some extent a running fight, but so far at least Defense has been successful.
3. There is apparently a widespread belief, with which Kearney does not agree, that a concession in the Pentagon is a gold mine. As a result, there are many persons who would like to operate such concessions. This results in continuing pressure from individual members of Congress. Disappointed Congressmen have apparently from time to time launched assaults upon Defense's concession system, but unsuccessfully.
4. Kearney stated that most of the profits from concession operations go to the Treasury as miscellaneous receipts. The concessions invariably show a profit, from the point of view of Defense, since concession contracts provide that Defense receives a fixed percentage of gross sales. The cafeteria, which is operated directly by the Defense Concessions Committee through a manager, generally loses money. The overall operation, however, shows a considerable profit.

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From this profit a portion goes to the welfare funds of Navy and Air. Kearney expressed the opinion that currently Army, with ample welfare funds, is not accepting anything from the profits; in fact, on several occasions in the past Army has made up the cafeteria deficits.

5. The arrangement under which the bulk of the profits go to Treasury indicates that some modus operandi has been worked out with GAO. Kearney seemed disinclined, however, to go into details as to exact figures and percentages.

6. Both Kearney and Glatt expressed the view that the headaches involved in concessions, and especially in the cafeteria operation, may not be worth suffering for the return involved.

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